

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

MAY 1, 2012

The 311th meeting of the Rhode Island Higher Education Assistance Authority was held Tuesday, May 1, 2012 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 8:50 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chairman

Mr. John Howell, Secretary

Mr. Solomon A. Solomon

Ms. Faith LaSalle, Esq.

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members Absent:

Ms. Patricia Doyle

Mr. Steven Archer

Also Attending:

Mr. Charles P. Kelley, Interim Coordinating Officer
Ms. Gail Mance-Rios, Deputy Director
Mr. Joseph Palumbo, Esq., Legal Counsel
Mr. Marc Lacroix, Chief Financial Officer
Ms. Dana Peterson-Fatuda, Assistant Administrative Officer
Mr. Charles Miller, Chief Information Officer
Ms. Kathleen Sisson, Director, WaytogoRI
Ms. Linda Makhlouf, RIHEAA
Ms. Clordine Cox, RIHEAA
Mr. Thomas Pearce, RIHEAA
Ms. Winifred Antos, Union Steward RIHEAA
Ms. Gina Macris, The Providence Journal
Mr. John Breguet, Esquire, Legal Counsel
Ms. Christina Faulkner, Dept. of Transportation
Ms. Susan LaPlanne, Office of Higher Education
Ms. Liza Pinto, Fiscal Analyst
Ms. Laurie Brayton, Fiscal Analyst
Mr. Raymond Lambert, State Personnel

1. Minutes of the Board of Directors' meetings held on January 20, 2012, February 17, 2012, and March 16, 2012 were unanimously approved.

2. Chairman's Report: Dr. Santoro read aloud a resignation letter from

Steve Archer. Due to the commitment of the board and his work schedule Mr. Archer regretfully had to resign. Dr. Santoro asked staff to send a letter of appreciation to Mr. Archer for his service.

Dr. Santoro reported that he has a meeting with the Governor this afternoon at 2:00 p.m. today. Mr. Loren Adrian will be in attendance as well. Dr. Santoro stated that the Governor's Office has asked us (the Board), not to make any specific commitments before they have a chance to speak.

Dr. Santoro asked the Board their thoughts about the proposal to merge RIHEAA with the Office of Higher Education (OHE). Dr. Croasdale stated that he would like to keep RIHEAA completely separate, and advertise for a new executive director. Ms. LaSalle stated that she is fairly new on the board, and wanted to know what the reservations to having RIHEAA merge with OHE are. Dr. Santoro stated that he does not believe that the Scholarship & Grant program belongs within OHE. He explained that the State Grant program operates to serve both private and public higher education. The Office of Higher Education does not have anything to do with private higher education, except that they monitor the proprietary schools. Ms. LaSalle asked if the State Grant program can be moved to RISLA, Dr. Santoro stated that is the better of the idea. RISLA serves both public and private higher education. Ms. LaSalle asked why the Licht proposal is proposing to move RIHEAA over to OHE. Dr. Santoro responded that RIHEAA programs will generate some

money over the next couple of years. The money that we are saving from the executive director's salary can be utilized to appoint the commissioner of higher education and in a couple of years; they will move the guaranty portfolio over to the federal government. Dr. Santoro stated that he would like to see RIHEAA stand alone. We should take away those things that are costly to RIHEAA, keep it separate and let it play out. Ms. LaSalle asked if there was a financial benefit to the state if RIHEAA was to merge with OHE. Dr. Santoro stated none that he could see other than using RIHEAA profits to fund OHE. Mr. Howell stated that the FTE positions of RIHEAA will be included in OHE, that would expand their staff and they are looking to expand their operation. Dr. Santoro stated according to what he has been hearing from the legislature, the deal is not going to happen. Ms. LaSalle asked, what happens if we move RIHEAA over to RISLA. Dr. Santoro stated we can not move RIHEAA to RISLA, RIHEAA employees are state employees and in some cases unionized, and RISLA employees are not. It would require legislation.

Mr. Howell stated there are various elements, CBf, waytogo, S&G and the question of the reserves. Looking at things, I see the reserves and Collegeboundfund and the money it generates as two big assets. Mr. Howell stated by using these reserves for an endowment program it would support grants, off-set tuition and further education for students. Dr. Santoro stated that the Grant Program will be operated by OHE, with no discussion of setting up

an endowment or fixed fund. Dr. Santoro stated he will bring that up in his discussions with the Governor. Dr. Santoro asked the board, do we want to see the Grant Program in OHE? Dr. Croasdale stated he doesn't want to see it go. Mr. Feisthamel stated that if it puts the funding for students at private schools at risk, then I don't think it is fair of this organization. Ms. LaSalle asked why that is putting it at risk. Dr. Croasdale replied that OHE only funds state institutions. Ms. LaSalle stated that perhaps you can express that concern at the meeting. Dr. Santoro stated that he expressed that at the Finance Committee meeting and the response is OHE can be relied upon to make certain that the private schools get their share.

Dr. Santoro stated that the other issue is waytogo. He stated that waytogo also responds to public and private education, it responds to high schools and junior high schools and has no place in OHE, he believes it has a place with RISLA due to the synergies with the College Planning Center, or with RIDE (Rhode Island Department of Education). It is a prep program for higher education.

Mr. Howell asked Dr. Santoro if he has had discussions with OHE, and Dr. Santoro stated no, not yet. Another issue that will come up, stated Dr. Santoro is whether the reserves can be used to support public higher education and help them to avoid significant increases in tuition. Dr. Santoro stated that he is scheduled to meet with the Board of Governors and the Governor. Mr. Feisthamel stated that the board has given an indication at the last meeting, that we support using the reserves for the benefit of students who attend public and

private institutions. Dr. Santoro stated this might have to be looked at in the future. Dr. Croasdale stated that he would like to see \$1.0 mil go to the returning vets, and \$1.0 mil to go to the retraining of students who go back to school, and asked Dr. Santoro to speak with the Governor on these points. Dr. Santoro stated that he would like any ideas to bring to the Governor. Ms. LaSalle asked if there are any savings to the State of Rhode Island by merging RIHEAA and RISLA or any other agency. Dr. Santoro stated that the one area that RISLA can save the state money is the State Grant Program; the incremental cost is not near the \$500,000, there's one employee that is supported by a network of people that help with mailings and IT. We believe we could save the state that amount of money. Mr. Solomon asked if the GI Bill is still available for veterans. Dr. Santoro stated yes, it is.

Dr. Santoro stated that we do have time to plan and create a comprehensive plan for the State Grant Program. At the last Board meeting we agreed to move the scholarship from \$550 to \$700.

Mr. Kelley stated he has one clarification; the \$825,000 which supports the waytogo program would be a difficult reach for RISLA to continue to support. It certainly is a great program with great staff.

Ms. Mance-Rios stated that the \$700 is within the current appropriation, and we would not have to go beyond that. Dr. Santoro

stated that he was just told that the applications that met the March 1st deadline, has fallen. Within that appropriation we can meet the \$700, which means, if we continue, we can bring that up to \$900.00. Mr. Kelley stated that if the board does want to increase the state grant amount it would have to submit an amount above the appropriation that was submitted. Ms. Liza Pinto stated that if you wanted to raise anything above the Governor's recommendation, you will have to go to the Budget Office, submit an amendment to the legislature or work through the legislative process to get that amount increased, the sooner the better.

Dr. Santoro stated; that issue might come up, what do you want me to do? Mr. Howell stated, more money, and wants to increase the amount of money for the students. Ms. LaSalle stated that she would like to keep it at \$700 for this year.

Mr. Palumbo stated that in light of the fact that time is of the essence, anticipating that the legislature is or will adjourn in mid-June, don't you need to make a decision today/contingency plan as to whether or not to potentially increase or add to the state appropriation or ask the legislature or the governor to amend the budget. Dr. Santoro stated that he is committed to not making a binding recommendation before talking to the governor. Another meeting was agreed.

Dr. Santoro stated the other operation of RIHEAA has been the

CollegeBoundfund. Dr. Santoro explained that the CBF has historically been utilized to supplement the budget. He stated that this board works in concert with the State Investment Committee. Dr. Santoro stated that he doesn't think we should have anything to do with that, the Treasurer's Office has done a great job of tweaking some of the investments with regards to CBf, and there is no reason for us to second guess with what the Investment Committee does, and asked Mr. Feisthamel if he had any thoughts on this?

Mr. Feisthamel stated that the SIC serves as an independent oversight to the CBf portfolio administrator, and I believe that the arrangement is working as designed and should not be altered. He stated, the SIC does need to be involved.

Mr. Kelley stated that as the Treasurer deals with the pension fund, they bring in independent advisors to report on the performance of the money managers. The Collegeboundfund has over \$7.0 bil.,and is beginning to get to the same level as some pension funds. It might be worth considering in conjunction with the Treasurer's office if there is some type of independent appraisal of the Alliance Bernstein funds as suitable investments for parents and grandparents. We don't have the ability to move different money managers, everything is with Alliance. It could be an extra tool for the SIC to have an independent report on the Alliance funds. There have been concerns of their performance in the past. Also, perhaps this board has a certain fiduciary duty to have someone come in independently

evaluate the funds since you are in essence doing this on behalf of a large number of individuals across the country. RIHEAA does receive about \$250,000 from administrative fees that is not currently being used. Mr. Kelley stated that after his conversations with Alliance, they had no objection to using the funds for this independent review.

Dr. Santoro stated that there is suppose to be someone from this board to serve on the SIC Board. Mr. Feisthamel stated that there are already some control points in place and the SIC has oversight of the portfolio administration. Mr. Feisthamel stated that he thought the board went through the fund offering that the CollegeBoundfund makes to its participants and expanded the offering to a number of different funds, (Vanguard)broaden the scope of conservative to most aggressive. The offerings are more diverse participate. The fund itself is subject to independent audit review at least once to twice a year.

Dr. Santoro asked the board for their input regarding waytogo and RIHEAA itself, he stated he wanted it to be kept alive. The funding is the question.

Mr. Feisthamel stated that he would like to see waytogori keep funding, especially if it can be linked by CBf, and stated he would like to stick to the principal that the money in reserves at RIHEAA are designed to benefit both public and private students.

Ms. LaSalle stated that she is not concerned about moving RIHEAA over to OHE as long as the underlining premise is that the money is used for both public and private education.

Mr. Feisthamel stated that he doesn't know how we could be comfortable with that based on their demonstrated mission, Mr. Howell agreed.

Dr. Santoro entertained a motion to go into Executive Session pursuant to RIGL 42-46-5 § (a) (1) – Personnel Matters. Seconded by Mr. Feisthamel and Mr. Solomon.

Voted in favor: Dr. Santoro, Mr. Howell, Mr. Feisthamel, Ms. LaSalle, and Mr. Solomon.

Voted against:None

It should be noted that Dr. William Croasdale recused himself from the Executive Session.

Open session resumed at 12:05 p.m.

Dr. Santoro stated that no votes were taken in Executive Session and asked that the minutes be sealed, seconded by Mr. Feisthamel and Mr. Howell.

There being no further business to come before the Board of Directors, the meeting adjourned.

Adjournment was at 12:05 p.m.

Mr. John Howell

Secretary